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AUTHOR	Wagner, June G.
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ABSTRACT

This newsletter presents four articles designed to help business educators educate learners in grades K-12 about personal finance. "Now More Than Ever: The Need for Financial Literacy" examines the following topics: evidence that the United States is becoming a nation of debtors; the plummeting personal savings rate; the increasing complexity of economic decision making; strategies for addressing gaps in education; and steps business teachers can take now. "Teaching Fiscal Fitness" highlights effective strategies for incorporating personal finance into classroom activities, recommends useful educational resources, and discusses the importance of instruction in the following topics: budgeting, credit, comparison shopping, taxes, saving and investing, and the importance of diversification. "Women and Money" explains why financial literacy is especially important for women. "Twelve Principles That Every Young Person Should Know" lists and discusses the following principles of personal finance: (1) map your financial future; (2) don't expect something for nothing; (3) high returns equal high risk; (4) know your take-home pay; (5) compare interest rates;(6) pay yourself first; (7) money doubles by the "rule of 72"; (8) your credit past is your credit future; (9) start saving young; (10) stay insured; (11) budget your money; and (12) don't borrow what you can't repay. A list of 15 resources is included. (MN)

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Keying In

The Newsletter of the National Business Education Association

Volume 13 Number 3 January 2003

PERSONAL FINANCE

Now More Than Ever: The Need for Financial Literacy

The accounting scandals and collapse of such corporate giants as Enron and WorldCom have focused national attention on the need for financial literacy. Repercussions from the collapse of these companies have affected investors, employees (many of whom lost their entire retirement savings), the federal government and Securities and Exchange Commission (which have been criticized for their lack of oversight), and, ultimately, the well-being of the economy.

"Financial literacy is essential to a sound economy," observes **Catherine Pulley**, a spokesperson for the American Bankers Association (ABA). "Those who are financially illiterate can't buy a house, which, in turn, means they are less likely to buy a refrigerator, drapes, vacuum, and all the other items that go along with owning a home. They also can't buy mutual funds or CDs. At the end of the day, everyone has a stake in the economy. When someone declares bankruptcy, everyone else pays higher fees for services, and the cost of those fees may mean the difference between someone being able to start his or her own business."

A nationwide survey sponsored by the Jump$tart Coalition, a nonprofit organization dedicated to promoting the teaching of personal finance in grades K-12, found that high school seniors know even less about credit cards, mutual funds, insurance, and other personal finance basics than they did five years ago. In the 2002 survey, seniors answered 50.2% of the questions correctly, a failing grade based upon the typical grade scale used by schools (90-100% = A, 80-89% = B, etc.). The average scores in the 2000 and 1997 survey were 51.9% and 57.3%, respectively (jumpstart.org, 2002).

"If there's a bright side, it's that the situation quantified by Jump$tart's surveys has caught the attention of Congress, regulators, and others," says **Dara Duguay**, the organization's executive director. In February, the Senate Banking Committee held hearings on adult and youth financial literacy. Federal Reserve Board Chairman Alan Greenspan, U.S. Treasury Secretary Paul O'Neill, and former U.S. Securities and Exchange Commission Chairman Harvey Pitt were among those testifying at the hearings.

A Nation of Debtors

According to the Federal Reserve, outstanding non-secured consumer debt rose from $805 billion in 1990 to $1.65 trillion in 2001 (National Foundation for Credit Counseling, 2002). Credit card debt now averages $8,562 per household with a current average interest rate of 14.71% (National Foundation for Credit Counseling, 2002).

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Teaching Fiscal Fitness

In her business classes at the Fuqua School in Farmville, Virginia, **Judith P. Sams**, the department chairman, has local car dealers bring some of the automobiles they have for sale to the school. Students look at the cars, comparing features and prices, then use the Internet to research the cost of insurance for their "dream car," the cost of the monthly payment, and the current loan interest rates.

Gary Schepf, who teaches advanced and applied technologies studies at the Academy of Irving in Irving, Texas, has his students complete a budget project. "I have them draw [names] for their partners, salaries, jobs, and number of children. Then they develop a budget, including insurance, savings, etc.," he says. "Later, they draw for an 'event,' usually bad news. The students actually fight about their budgets as if they were married. One year a female student had to draw the 'event' because her partner was absent. He had not offered too much help during the project, so she sold his Dodge Viper to pay for her surgery. When he returned, she told him if he had been there, she might have figured out an alternative to selling the car."

Observes Sams: "It is through hands-on activities, student contributions to the class, and team projects that we make business classes exciting." Personal finance is a topic that especially

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Advertisers target consumers as young as three years old, observes Pulley. Saturday cartoons, she points out, are interspersed with commercials that utilize high pressure sales tactics. It's not surprising, then, that children grow up to become spenders. "Today's teens spend approximately $172 billion a year and are the most affluent generation in history," notes **Bonnie Peterson**, the director of community relations for the Consumer Credit Counseling Service of North Central Texas, Inc., in McKinney, Texas. "That breaks down to approximately $104 per week for the average teen, who spends it predominantly on clothing, fast food, and entertainment."

Two-thirds of all college students have at least one credit card and one in five has four or more cards (msnbc.com, 2002). The median student loan debt is at record levels due to rising tuitions—$17,000 versus $2,000—when baby boomers were in their 20s (Watson, 2002). Educational lender Nellie Mae notes that graduating college seniors average $20,402 in combined student loans and credit card debt (Watson, 2002).

Clearly, paying off debt is a major responsibility for many young adults. Too often, however, they don't realize that they need to maintain a good credit history in order to buy a car, rent an apartment, and even to obtain a job. "Most large companies today do a credit check on prospective employees," says Peterson.

A Plummeting Personal Savings Rate

While consumers continue to charge up debt at record levels, the savings rate continues to decline. A study conducted by the G.E. Center for Financial Learning found that only 48% of Americans save for retirement, while only 19% save money on a regular basis. According to the Bureau of Economic Analysis at the U.S. Department of Commerce, Americans saved only 2.3% of their disposable incomes in 2001. That rate is less than half of the 6% Americans saved between 1963 and 1993. "By any way you measure it, Americans are poor savers," observes Don Blandin, president of the American Savings Education Council. "We overestimate how much we'll get for Social Security and underestimate how long we'll live—and that can make for a disastrous story" (Bruce, 2001).

Indeed, when it was enacted in 1935, Social Security was never meant to provide more than a modest retirement income. Yet nearly one-third of Americans age 65 and older rely on Social Security for their entire retirement income.

A survey conducted by the American Association of Retired Persons (AARP) of 1,500 Americans over age 45 found that 69% plan to work in their retirement years (Murray, 2002). Many simply cannot afford to retire. To enjoy a comfortable retirement, save for specific goals like a new house, and be able to handle emergencies, consumers should save 20% of their incomes, says Peterson. Out of that 20%, 1-5% should go into the emergency fund, 5-10% into the specific goals fund, and 5-10% into long-term investments.

The Increasing Complexity of Economic Decision Making

While financial literacy has hit a new low, the demand for more sophisticated skills in money management has only continued to grow. Today's college students, for example, face not only the challenge of handling credit cards, but also of dealing with debit cards, electronic banking, and alternative methods of buying textbooks and airfares on the Internet, often at deep discounts. However, only if they are adept at comparison shopping, managing their debt, and making the most of the money they do have will they be able to benefit from all the choices they face as consumers.

Individuals saving for retirement face a bewildering array of nearly 7,000 mutual funds to choose from: aggressive growth funds, dividend growth funds, growth and income funds, bond funds, sector funds, global funds, etc. (moneycentral.com, 2002). "People are overwhelmed with the breadth of options they have and may not be making the best decisions for enhancing their economic well-being," says **Paula Fraher**, the director of national initiatives for the Bank of America Foundation in Charlotte, North Carolina.

"Today's retirement plans involve more flexibility, but they also require a greater knowledge base," observes **John E. Clow**, director of the Leatherstocking Center for Economic Education in Cooperstown, New York. Companies that provide pensions or that manage retirement funds are becoming increasingly rare. The burden of responsibility for building one's retirement nest egg has fallen on the individual investor.

"Individuals," says Clow, "must be familiar with a broad range of saving and investment instruments—stocks, bonds, real estate, CDs, treasury bills, etc." They must then be able to take that knowledge and be able to assess their economic and life goals, analyze their current financial status, and formulate a practical and realistic plan for turning those goals into a reality. They must also know how to shop for insurance and car and home loans that are safe and legal, adds Pulley.

Indeed, the personal finance skills adults must now possess include financial planning; consumer purchasing; banking; credit; investment; risk management; tax strategizing, and estate planning (Piening and Deinert, 2002).

Addressing the Gaps in Education

"Financial literacy is a basic survival skill that is as important as teaching kids to look both ways before crossing the street," observes Pulley. It's important, therefore, to start teaching children money management skills as young as possible, Fraher points out. However, only 15% of students graduate from high school having received instruction in personal finance, notes Duguay.

"Personal finance is mostly taught in

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Writer and Editor: June G. Wagner

business education and family and consumer science classes, which are usually electives," Duguay states. "There is a dire need to incorporate financial education into the core curriculum." The problem, she notes, is that few states have actual requirements for financial education.

Jump$tart is leading a grassroots effort to form state coalitions for personal financial literacy. "It's much easier to convince a principal to include personal finance in the school curriculum if it's in a state's business education standards," notes Duguay.

However, while 37 states have policies that encourage or require students to receive instruction in consumer education, only 14 actually mandate financial literacy education in high school (North Dakota Office of Securities Commissioner, 2002).

In early 2002, President Bush signed the "No Child Left Behind Act of 2001," which allocates $385 million in funds toward local educational agencies to use for 27 categories of "innovative assistance programs." The eleventh category involves "activities to promote consumer, economic, and personal finance education" (jumpstart.org, 2002). The legislation represents the first time the federal government has appropriated funds specifically for personal finance education.

Clow notes that including personal finance requirements in school curriculums is only the first step toward creating an effective financial education program. Personal finance must also involve parents and be experiential. "Personal finance is a life skill, which you tend to learn from role models like your parents," he observes. "Teachers have to construct learning experiences that involve the parents. Such activities serve to reinforce what the teacher is doing in the classroom."

What Business Teachers Can Do Now

Business educators can help prepare financially literate adults by incorporating personal finance and consumer material into their classes. "Unfortunately, many teachers feel intimidated by this topic, and this prevents them from teaching personal finance," observes Clow. "Teachers need to realize that they don't have to know everything and that it's okay to learn along with the kids."

Jim Miles, the standards coordinator for business education at Pittsford Sutherland High School in Pittsford, New York, notes that when he reached the age of 40, he realized that he knew very little about planning and preparing for retirement. He used his own need to learn about this topic as a catalyst for putting together courses on financial planning and investment management at his school.

A good place for business teachers to begin is by consulting NBEA's *National Standards for Business Education*, which specifically outlines the skills students need in order to "function as economically literate citizens in domestic and international venues" (*National Standards for Business Education*, 2001, p. viii). Business educators should also review their state and local personal finance standards. They can enlist the cooperation and support of teachers in other disciplines since personal finance courses or units have cross-curriculum applications in mathematics, social studies, and language arts. Partnerships with parents and local businesses can also be formed.

The financial success of students may begin in the classroom, Greenspan noted in his testimony before Congress. "Financial literacy," he testified, "can empower consumers to be better shoppers, allowing them to obtain goods and services at lower cost. This effectively increases their household budgets, providing more opportunity to consume and save or invest. In addition, comprehensive education can help provide individuals with the financial knowledge necessary to create household budgets, initiate savings plans, manage debt, and make strategic investment decisions for their retirement or children's education" (National Council of Teachers of Mathematics, 2002, p. 1).

The ultimate result is happier, more prosperous workers and citizens who contribute in positive ways to the success of the American economy. ■

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lends itself well to the creation of realistic, hands-on projects.

Educational Resources

Business teachers seeking to incorporate personal finance into their classroom activities have a myriad of resources to choose from, many of them available at little or no cost.

A good place to begin, observes Sams, is at the Jump$tart Coalition's Web site (www.jumpstart.org), which serves as a clearinghouse to connect teachers with a wide variety of educational tools and activities, including computer software, books, and teaching aids.

Sams also likes the National Endowment for Financial Education (www.nefe.org), which offers free classroom sets of a financial planning program based on the philosophy that "learning about money is as important as earning it." The program uses simulations, case studies, games, and interactive exercises to apply the financial concepts being taught.

The National Council on Economic Education (www.nationalcouncil.org), sponsored by the Bank of America Foundation, has created a new, low-cost, and comprehensive economic and financial literacy program for grades K-12, called Financial Fitness for Life (www.financialfitnessforlife.com). What's unique about the program, notes John E. Clow, the program's project director, is that it includes a parent's guide designed to involve parents as partners in teaching important financial concepts.

The program uses a variety of hands-on learning activities to teach students about saving, investing, credit, the stock market, wise consumer shopping, and money management. The program also offers Web links and a CD-ROM for interactive and technology-based activities. Financial Fitness for Life was recently recognized with the Soaring Star Award as the most outstanding corporate initiative for improving personal financial literacy among young people.

To encourage a better understanding of the nation's central bank and the forces influencing economic conditions in the

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U.S. and abroad, the Federal Reserve has created *The Fed Challenge* (www.ny.frb.org/pihome/educator/fedchal.html). The program is an economics tournament in which high school teams from across the country compete to develop their own monetary policy for the U.S. The Federal Reserve also offers a new, interactive Web site, Fed 101 (www.kc.frb.org/fed101/index.cfm), which provides a history of our banking system, as well as insight into the behind-the-scenes transactions that take place when an individual writes a check.

Some of the banks in the Federal Reserve System also have speakers available to talk about topics related to banking or economics. The presentations are free, with the Federal Reserve paying the speaker's travel and lodging expenses. Teachers should check with the Federal Reserve Bank in their particular region.

The Gateway to Educational Resources Web site (www.thegateway.org/) is a search engine that searches almost 8,000 different lesson plan sites for the topic a teacher needs material for.

"Finally, although not free, an additional resource that I can't imagine teaching a business class without is the *Wall Street Journal Classroom Edition*," says Sams. She recommends that teachers find a local business that will donate a classroom set to the school.

The Importance of Budgeting

At the heart of all prudent money management is budgeting. Observes **Bonnie Peterson**: "You can't be a good financial manager if you don't know where the money goes. A budget is essential whether you're 12 or 92 years old." The first step is to have students write down everything they spend, whether it's a 75-cent soda or a $250 car payment. "Many adults," notes Peterson, "go to the ATM for $20 or $40, then run all over town doing errands. By the end of the day, the money is gone, and they have no idea where it all went."

Budgeting is the tool that will help students obtain the things they need and want most through careful planning, prioritizing, and decision making. Students should be aware of their monthly income, even if it's only an allowance, and then set aside money for fixed expenses, savings, and flexible expenses, like gas for the car.

Peterson likes to use the "My Plan for Independence" featured in Exercise 1 to help students understand the importance of budgeting. "Students want to be independent—earning their own money and having their own places—but they often underestimate the expenses involved," she notes. Exercise 2 ("Move-In Expenses") is another useful exercise that can help students learn to think realistically about money. When she visits high schools, Peterson likes to ask

Exercise 1: My Plan for Independence

Students are asked to calculate a budget on their own, using either their own salary or a theoretical salary with a monthly income of $1,088 per month (which is a job paying $8.50 per hour).

1. Monthly salary (after taxes): $1,088 or use actual income from part-time job
2. Monthly allowance: $ _____
3. Other income: $ _____

Total Income: $ _____

Category	Percent of Monthly Income	Dollar Amount Budgeted	Dollar Amount Actual
Housing	28% (.28 X ?)	$ _____	$ _____
Food	16% (.16 X ?)	$ _____	$ _____
Clothing	6% (.06 X ?)	$ _____	$ _____
Health	4% (.04 X ?)	$ _____	$ _____
Transportation	20% (.20 X ?)	$ _____	$ _____
Long-Term Debt	12% (.12 X ?)	$ _____	$ _____
Savings	6% (.06 X ?)	$ _____	$ _____
Miscellaneous	8% (.08 X ?)	$ _____	$ _____
(Do not round numbers off)			
TOTALS		$ _____	$ _____

Exercise provided courtesy of Consumer Credit Counseling Service of North Central Texas, Inc.

Exercise 2: Move-In Expenses (First Apartment)

Students are asked to investigate the costs of renting an apartment and obtaining all the various services and household items that will be necessary for setting up housekeeping. Students can investigate the rents for several apartment complexes in their city and visit a discount store like Wal-Mart to obtain prices for linens, dishes, etc.

Application Fee for Apartment (Non-refundable)	$ _____
Deposit for Apartment (No pets)	$ _____
Deposit for Electric Service	$ _____
Deposit for Gas Service	$ _____
Deposit for Telephone Service	$ _____
Installation Fee for Cable TV	$ _____
First Month's Rent on Apartment	$ _____
TOTAL EXPENSES (Up-Front)	$ _____
Furniture for One-Bedroom Apartment (Used)	$ _____
Linens (Sheets, Towels, Hand-Cloths, etc.)	$ _____
Dishes, Cookware, Flatware	$ _____
Decorator Items (Bedspread, Rugs, Shower Curtain, etc.)	$ _____
Mop, Broom, Cleaning Supplies	$ _____
Paper Towels, Toilet Tissue, and Incidentals	$ _____
Food (including first-time staples)	$ _____
TOTAL EXPENSES FOR MOVE-IN	$ _____
TOTAL FOR FIRST MONTH	$ _____

(You may encounter other charges for moving into your first apartment, or perhaps you will be able to get some items from relatives or friends. Experience has shown that you can count on it costing more than you expected.)

Exercise provided courtesy of Consumer Credit Counseling Service of North Central Texas, Inc.

students what they expect to earn per hour after graduating. "Most kids answer $20 per hour," she says. "They have no idea that they are much more likely to start out at minimum wage, earning $5.15 per hour."

Credit

According to the Association of Independent Consumer Credit Counseling Agencies, the most common cause of financial problems is excessive use of credit. The "buy now-pay later" lifestyle is so pervasive in our nation that it is easy for individuals to fall into debt that is beyond their ability to repay. Indeed, according to VISA International's 2000 credit survey, almost half (48%) of credit card owners pay only their minimum monthly payment; the net worth of the average middle-class American household after accounting for debt is less than $10,000 (consumercredit.com, 2002).

The Consumer Credit Counseling Service recommends that debt should never exceed 15% of an individual's take-home pay. While it's important for students to obtain their first credit card, Peterson recommends that young adults use cash to pay for the majority of their purchases. Any purchases made on the card should be paid off every month. "The first thing kids need to understand about using a credit card is that it's a loan," says Catherine Pulley, "and loans need to be paid back with interest."

A useful activity for students is to research the terms of several credit cards issued by a variety of institutions—department stores, gas companies, major banks. Is there a grace period? What are the fees resulting from paying bills late? Is there an annual fee or are there other fees associated with the credit, such as cash advance fees or fees for exceeding a credit limit? How are the finance charges calculated?

Comparison Shopping

The rapid growth of commercial activity on the Internet, as well as the increasingly mainstream use of such technologies as cell phones, digital cameras, computers, and personal digital assistants (PDAs) has brought consumers an increasingly complex array of products and services to choose from. Many of these products are advertised on the Internet and on television. According to

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the nonprofit organization, TV-Turnoff Network, American children watch 20,000 commercials per year. Students need to be able to analyze the influence of marketing and advertising techniques in order to become skilled consumers. Sams has her students study the many tactics of advertising. She removes ads from magazines and newspapers and brings them to class. Sams also has her students complete comparison shopping for selected items in local stores. Students, for example, can be asked to compare the prices of Nike footwear in department stores, versus athletic shoe stores and discount stores.

Taxes

"So many students are expert at algebra and calculus, but they don't have the math skills that will take them through life," observes Schepf. Familiarity with calculating taxes and the tax filing process is an important money management skill. Schepf likes to have his students use the TurboTax program to fill out a 1040 tax form. Many students enter the job market with part-time and summer jobs during their high school years. Filing their first tax returns is an important rite of passage.

According to research conducted by the Jump$tart Coalition, many students do not understand the mandatory FICA and Medicare payroll deductions and the impact of taxes on their paychecks (Piening and Deinert, 2002). Sams recommends the *Understanding Taxes* program provided by any regional IRS office and available to educators at no cost.

The Taxi, or Tax Interactive Web site (www.irs.gov/taxi), also provides classroom exercises as well as access to tax forms and information about how to file taxes electronically.

Saving and Investing

To help his students understand the importance of saving and investing, Jim Miles has structured his financial planning courses around life stages. "When you think about it," he says, "most investment decisions are based on where you are in your life stage." In the 22-32 age range, for example, most young adults are focused on building their careers and should be investing at least 10% of their gross income. Between the ages of 32-42, most individuals are getting married and having kids. They tend to shift their focus from cash and mutual funds toward investing in real estate and the purchase of a home.

In the mid-40s, individuals are concerned with sending their kids to college and are investing in 529 plans and college IRAs, Miles notes. During preretirement, individuals are looking at annuities, Roth IRAs, and KEOGH plans. By 66 or so, individuals are looking at bonds and fixed annuities. Miles likes to stress that if students follow the 10% rule, saving 10% of their gross income over their working lives, most of them will be able to accumulate $1 million.

Good savings habits are one of the most important skills educators can instill in their students. A key element in any budget is the principle of "paying yourself first," says Peterson. An effective way to accomplish this is to encourage students to pay themselves through a direct deposit into a savings account or an automatic transfer from a checking account into a savings or an investment vehicle such as a mutual fund.

Pulley recommends that teachers take advantage of the National Teach Your Children to Save Day, which is usually held every April. "Bankers go out to the local schools and provide information about saving and personal finance," she notes. Teachers can contact their local banks or the American Bankers Association (1-800-Bankers) for more information.

The Importance of Diversification

The meltdown in the stock market in the last few years has refocused attention on the importance of diversification. Indeed, diversification has been called the golden rule of investing. Generally, a spectrum of investments, from conservative to more risk tolerant, will best meet the various long- and short-term goals of individuals.

Money that will be used in seven years or less should never be invested in the stock market, but should be set aside in savings accounts, money market mutual funds, CDs, and government securities like treasury bills and treasury notes. These vehicles are often referred to as "cash or cash equivalents" because they are highly liquid and there's little risk of losing the money invested in them.

Why not invest exclusively in such safe investments? In general, these investment vehicles have not generated enough interest to offset the losses from inflation. Since 1926, for example, the average annual return for short-term U.S. Treasury bills has been 3.8%, while inflation has averaged 3% per year. Since 1926, the average return of long-term government bonds has been 5.3%, while the average annual return of large-company stocks has been 11.2%, even with the last two and half years of dismal returns in the stock market (Federal Consumer Information Center, 2002). Over time, stocks continue to remain the best performing asset class.

Experts recommend that individuals invest among different categories of investments; some money should be in cash, some in bonds, some in stocks, and some in real estate. Individuals should also diversify within each of these categories.

How a person diversifies depends on that individual's unique situation: How much time is left until retirement? What is the amount of income? What are a person's immediate versus long-term goals? How much risk is a person comfortable taking? etc. Generally, the younger the person is, the more time he or she will have to let investments grow and ride out the ups and downs of the market.

A variety of stock market simulations have been developed to expose students to the securities industry. One of the most comprehensive is *The Stock Market Game*, sponsored by the Securities Industry Foundation for Economic Education. It is available in both a pencil-and-paper and Internet version (www.smg2000.org). Teams of three to five students start with a hypothetical $100,000, with which they can buy and sell stocks for a 10-week period. Teams learn how to research a company's finances, track a stock's performance, and build and manage a portfolio of investments. ■

Women and Money

Life expectancy in the U.S. recently reached a record high, with an average lifespan of 74.1 years for men and 79.5 years for women (U.S. Department of Health and Human Services, 2002). Because women tend not only to outlive men, but also to earn less (72 cents for every dollar men earn), they are especially at risk for running out of retirement funds. Indeed, one in four women currently retires on an income below the poverty level, and over the next 40 years, the number of women over 85 is expected to at least triple, with three-fourths of this population single, divorced, or widowed (Investing for Women, 2002).

Because they are likely to attend to children or elderly relatives, women also tend to change jobs more often, work part-time, or interrupt their careers. As a result, they are less likely to qualify for company-sponsored retirement plans. According to the U.S. Department of Labor, only 26% of women qualified for pension benefits versus 47% of men. Women are also more likely to lose income following a divorce than men. Indeed, women tend to reduce their standard of living by 45% in the first year after a divorce, and more than one-third of families led by single mothers live below the poverty line.

Because of such challenges, it is especially critical for women to have a sound understanding of saving, investing, and making the most of their money. Yet, according to the Federal Consumer Information Center, women are less likely to be financially informed than men and hence, are especially vulnerable to financial fraud and scams. They also tend to lack confidence in their ability to make financial decisions.

Business education can play a major role in helping female students learn to become more financially savvy and confident about their ability to make sound financial decisions. One of the most important things that business teachers can stress to their female students is the need to obtain their own credit. Women should maintain their own line of credit even after they marry by carrying one or two cards that are in their own names, in addition to the cards they may share jointly with their spouse.

Women should also be encouraged to open their own retirement accounts. Indeed, such accounts should be opened for each partner in a marriage, whether it's through individual IRAs or employer-sponsored plans. This way both partners will be able to save more and take advantage of tax benefits. Even women who don't work outside the home can put away funds for retirement through a spousal IRA.

Women also need to be active participants in setting financial goals and making investment decisions in their households. Investing in the stock market has traditionally been viewed as a masculine endeavor. Yet research by the University of California at Davis shows that women tend to be better investors than men. Men traded more often, subjected themselves to more risk, and let ego get in the way of their investment choices. Women were better at following a set of investment principles and researching their investment choices; they also exhibited more patience (Investing for Women, 2002).

Above all, educators need to stress that anyone, regardless of sex, age, or race, can learn to save and invest properly. □

12 Principles That Every Young Person Should Know

1) *Map your financial future.* Take time to list your financial goals, along with a realistic plan for achieving them. You can go places you want to go without a roadmap, but seldom on the first try.

2) *Don't expect something for nothing.* Be leery of advertisements, salespeople, or other sources of financial offers promising anything free. Like non-financial opportunities, if it sounds too good to be true, it probably is.

3) *High returns equal high risks.* Recognize that no one will pay you high interest rates on a sure thing. In most cases, the higher the interest rate offered to you, the investor, the higher the risk of losing some, or all, of the money you invest. Diversification of assets is the best protection against risk.

4) *Know your take-home pay.* Before committing to significant expenditures, estimate how much income is likely to be available for you. Net income, after all mandatory deductions, is more important to estimate than gross income before deductions.

5) *Compare interest rates.* Obtain rate information from multiple financial services firms to get the best value for your money.

6) *Pay yourself first.* Before paying bills and other financial obligations, set aside an affordable amount each month in accounts designated for long-range goals and unexpected emergencies.

7) *Money doubles by the "Rule of 72."* To determine how long it will take your money to double, divide the interest rate into 72. For example, an account earning 6% interest will double in 12 years (72 divided by 6 equals 12).

8) *Your credit past is your credit future.* Be aware that credit bureaus maintain credit reports, which record borrowers' history of repaying loans. Negative information in credit reports can affect your ability to borrow at a later point.

9) *Start saving young.* Recognize that your total savings are determined by the interest you earn on those savings and the time period over which you save. The sooner you start saving, the more funds you'll be able to amass over time.

10) *Stay insured.* Purchase insurance to avoid being wiped out by a financial loss, such as an illness or accident. An insurance plan should be part of every personal financial plan.

11) *Budget your money.* Create an annual budget to identify expected income and expenses, including savings. This will serve as a guide to help you live within your income.

12) *Don't borrow what you can't repay.* Be a responsible borrower who repays as promised, showing you are worthy of getting credit in the future. Before you borrow, compare your total payment obligations with income that you will have available to make these payments.

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